

**MINUTES OF MEETING
KENTUCKY PUBLIC PENSIONS AUTHORITY
AUDIT COMMITTEE
FEBRUARY 27, 2024, 10:00 A.M., E.T.
VIA LIVE VIDEO TELECONFERENCE**

At the February 27, 2024 Meeting of the Audit Committee of the Kentucky Public Pensions Authority, the following Committee members were present: William O’Mara (Chair), Betty Pendergrass, Lynn Hampton, and William Summers, V. Staff members present were CERS CEO Ed Owens, III, KRS CEO John Chilton, David Eager, Erin Surratt, Michael Board, Victoria Hale, Carrie Bass, Stephanie Hold, Steve Willer, Michael Lamb, Connie Davis, Kristen Coffey, Matthew Daugherty, William Prince, Madeline Evans, Melinda Wofford, Ashley Gabbard, Phillip Cook, Sherry Rankin and Katie Park. Others present included Adam Gordon, Linda Hinton, and Matt Frey with the Auditor of Public Accounts.

Mr. O’Mara called the meeting to order.

Ms. Hale read the Opening Statement.

Ms. Rankin called roll.

Ms. Rankin reported that one *Public Comment* was received and read it aloud.

Submitted by Norman L Fultz

No cola raise coming

Next, Mr. O’Mara introduced the agenda item *Approval of Minutes – November 27, 2023 (Video 00:05:48 to 00:06:25)*. Ms. Pendergrass made a motion to approve the minutes as presented. The motion was seconded by Mr. Summers and passed unanimously.

Mr. O’Mara introduced the agenda item *DRAFT GASB 68 and GASB 75 Proportionate Share Audits (Video 00:06:26 to 00:14:20)*. Mr. Adam Gordon with the Auditor of Public Accounts (APA) presented the Draft GASB 68 and GASB 75 Proportionate Share Audits. He stated that

the APA audited the schedules as prepared by GRS. Management will be provided with two reports; one for pension and one for OPEB, said Mr. Gordon. End of field work for the audit will be at the next meeting of the Authority on March 21, 2024. Mr. Gordon advised that the full report will be released once approved by the Authority. He stated that there were no findings or issues; therefore, the APA anticipates issuing a modified/clean opinion.

Ms. Hampton made a motion to approve/accept the Draft GASB 68 and GASB 75 Proportionate Share Audits as presented.

Ms. Pendergrass requested the Auditor's Report to verify the numbers provided. Mr. Gordon stated that draft reports would be available prior to the KPPA Board meeting in March. Ms. Hampton stated that she was comfortable with the verbal confirmation provided by Mr. Gordon.

Mr. Summers seconded the motion. Ms. Pendergrass abstained from the vote; however, the motion passed.

Mr. O'Mara introduced the agenda item ***Financial Reporting Updates*** (Video 00:14:21 to 00:31:51). Ms. Connie Davis stated that the KPPA is required to submit its audited financial statements to the Legislative Research Commission (LRC), and the Auditor of Public Accounts (APA). Therefore, the Annual Comprehensive Financial Report (ACFR), including the audited financial statements were posted on the KPPA's website on December 8, 2023. LRC and the APA were notified the same day to electronically download the ACFR, said Ms. Davis.

Mr. O'Mara introduced the agenda item ***Legal Updates*** (Video 00:31:52 to 00:36:20). Ms. Carrie Bass presented Potential Information Disclosures/Breaches affecting the KPPA for the second quarter of FY24. She reported one hacking event of a KPPA vendor which disclosed the information of over 6,000 KPPA members, said Ms. Bass. Other than that event, there were no internal disclosures or breaches internally by the Authority.

Next, Ms. Stephanie Hold presented Anonymous Tips received regarding fraud, waste, and abuse. Since the KPPA Audit Committee met on November 27, 2023, seven fraud tips were received. Three of the tips were closed following review and four of these tips are currently open. As of the date of this memo, there were nine cases in open status, reported Ms. Hold.

Mr. O'Mara introduced the agenda item *KPPA Audit Committee Updates* (Video 00:36:21 to 00:44:50). Mr. Matthew Daugherty briefly reviewed the Internal Audit Budget as of December 31, 2023.

Ms. Kristen Coffey presented an update on the Emergency Plan. She stated that there have been questions asked regarding KPPA's emergency planning. Several of these questions were forwarded to the KPPA Division of Enterprise and Technology Services (DETS), said Ms. Coffey. She advised that the DETS would present their responses to the KPPA Audit Committee in May of 2024.

Next, Ms. Coffey presented the Annual Risk Assessment Update. She advised that the KPPA Division of Internal Audit is actively working to complete the Annual Risk Assessment. Ms. Coffey reported that surveys were sent to 41 KPPA Staff Members and several Authority Members. Once all responses are received, they will be compiled into a Risk Assessment. The Risk Assessment and Audit Plan will be presented the May of 2024 to the Committee.

Lastly, Mr. William Prince and Ms. Madeline Evans provided a status of Internal Audit projects. Ms. Evans provided a summary of the completed Legislation Implementation Project. She stated that the final audit report would be presented to the KPPA Audit Committee in May of 2024.

Mr. O'Mara introduced the agenda item *Professional Articles* (Video 00:44:51 to 00:50:43). Ms. Wofford presented an overview of the professional article "Creating Reliable Risk Assessments: How Financial Institutions Can Overcome Bias and Structural Obstacles to Better Understand Risk."

There being no further business, Mr. O'Mara *adjourned* the meeting.

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CERTIFICATION

I do certify that I was present at this meeting, and I have recorded above the action of the Committee on the various items considered by it at this meeting. Further, I certify that all requirements of KRS 61.805-61.850 were met in connection with this meeting.

Recording Secretary

I, as Chair of the Audit Committee of the Kentucky Public Pensions Authority, do certify that the Minutes of the meeting held on February 27, 2024, were approved by the Audit Committee on May 30, 2024.

Committee Chair

I have reviewed the Minutes of the Audit Committee Meeting on February 27, 2024, for form, content, and legality.

Executive Director
Office of Legal Services